

Message Text

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C O N F I D E N T I A L VIENNA 0036

FOR EUR/CE - BRUCE FLATIN

E. O. 11652: GDS

TAGS: PGOV, AU

SUBJECT: AUSTRIA: PROBABLE TRENDS FOR FIRST QUARTER 1974

1. SUMMARY: TWO MAJOR FACTORS -- THE ENERGY CRISIS AND UPCOMING ELECTIONS -- WILL STRONGLY INFLUENCE AUSTRIAN ACTIONS AND DEVELOPMENTS IN NEAR FUTURE. ENERGY CRISIS AND ITS IMPLICATIONS IS BEGINNING TO TEAR AT WEB OF COMPLEX ECONOMIC AND SOCIAL RELATIONSHIPS AND INSTITUTIONS, GENERATING CONCERN IN GOVERNMENT CIRCLES AND UNCERTAINTY AMONG GENERAL PUBLIC. CHANCELLOR KREISKY'S POLICIES WILL BE DICTATED BY POLITICAL CONSIDERATIONS FOR VICTORY IN PROVINCIAL AND ALSO POSSIBLY NATIONAL ELECTIONS IN 1974. END SUMMARY

2. DOMESTIC ECONOMIC SCENE: SOCIALIST GOVERNMENT WILL BE HEAVILY ENGAGED IN EFFORTS TO DAMPEN ADVERSE IMPACT OF ENERGY CRISIS ON ECONOMY IN ORDER MAINTAIN FULL EMPLOYMENT AND ECONOMIC STABILITY. SOME ELEMENTS OF PUBLIC OPINION, HIGHLY VOLATILE AT MOMENT, SEEM EXCESSIVELY PESSIMISTIC IN OUTLOOK REGARDING NEAR FUTURE, BEYOND LEVEL JUSTIFIED BY OBJECTIVE ECONOMIC SITUATION. AUSTRIAN ECONOMY REMAINS FUNDAMENTALLY SOUND AND, ACCORDING TO BEST ESTIMATES, SHOULD ACHIEVE REAL GROWTH RATE OF 3 PERCENT IN 1974. HOWEVER, SINCE AUSTRIA IS HEAVILY DEPENDENT ON FOREIGN TRADE AND TOURISM,
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PERFORMANCE OF NEIGHBORING ECONOMIES, ESPECIALLY OF WEST GERMANY,

WILL HAVE MAJOR INFLUENCE ON LEVEL OF AUSTRIAN ECONOMIC WELL-BEING. GOVERNMENT WHICH CURRENTLY DEVELOPING VARIOUS CONTINGENCY PLANS (ENERGY SHORTAGE, MAINTENANCE OF FULL EMPLOYMENT, STRUGGLE AGAINST ANTICIPATED 10 PERCENT RATE OF INFLATION) WILL CONTINUE TO SEEK TO DEAL WITH THESE ECONOMIC PROBLEMS IN CONTEXT OF NARROW NATIONAL INTERESTS IN ABSENCE OF ANY EFFECTIVE INGER-GOVERNMENTAL LEADERSHIP IN WESTERN EUROPE.

3. DOMESTIC POLITICAL SCENE: TWO MAJOR POLITICAL PARTIES WILL BE JOCKEYING FOR BEST POSITIONS FROM WHICH TO CONTEND UPCOMING PFOVINCIAL ELECTIONS AND POSSIBLE NATIONAL ELECTIONS. FACED WITH UNCERTAIN ECONOMIC FUTURE AND SOMBER MOOD OF POPULATION, SOCIALIST GOVERNMENT MORE LIKELY TO BE CONCILIATORY AND TO SEEK CONSENSUS RATHER THAN IDEOLOGICAL VICTORY ON CONTROVERSIAL LEGISLATION IN PARLIAMENT. PARTY CONGRESSES, SCHEDULED FOR FIRST QUARTER, WILL DEAL WITH PARTY REFORM AND ROUTE OF MARCH FOR NEXT YEARS. SOCIALISTS FACE DILEMMA WHETHER TO CONTEND ANTIONAL ELECTIONS NOW ON CLAIM OF BEING BETTER ABLE TO DEAL WITH IMPACTING ENERGY CRISIS OR TO FOREGO ELECTIONS UNTIL FALL 1975 WITH HOPE OF HAVING ACHIEVED IN INTERVAL LAUDATORY RECORD OF STEWARDSHIP. DEATH OR PHYSICAL DISABLEMENT OF PRESIDENT JONAS, WHO REPORTED SERIOUSLY ILL, COULD BECOME IMPORTANT FACTOR IN DECISION.

4. FOREIGN AFFAIRS: GIVEN RESTRICTIVE SCOPE FOR MAJOR ACHIEVEMENTS ON DOMESTIC SCENE, KREISKY WILL LIKELY SEEK TO GATHER LAURELS FOR HIS GOVERNMENT AND PARTY BY EVEN MORE ACTIVIST FOREIGN POLICY IN 1974. APPEARANCE, I.E. IMAGE AND FORM, WILL IN SOME CASES OVERSHADW SUBSTANCE OF GOA EFFORTS. CHANCELLOR PLANS TO FOLLOW UP HIS TETE-A-TETE WITH SHAH ON DECEMBER 29 WITH DISPATCH OF HIGH-LEVEL AUSTRIAN DELEGATION TO TEHRAN AT END OF JANUARY TO COMPLETE WHAT IS BEING HAILED BY GOVERNMENT AS MAJOR PROGRAM OF BILATERAL ECONOMIC COOPERATION. IN EARLY FEBRUARY KREISKY WILL HOST SALZBURG CONFERENCE OF HEADS OF GOVERNMENT OF TWELVE SMALLER STATES TO DISCUSS UNDER RUBRIC "WORSENING WORLD SITUATION" BROAD AGENDA OF DIFFICULT ECONOMIC AND SOCIAL PROBLEMS. KREISKY CAN ALSO BE EXPECTED TO TRY TO PLAY GREATER ROLE RE MIDDLE EAST DEVELOPMENTS (AUSTRIAN SECURITY COUNCIL SEAT, AUSTRIAN UNEF CONTINGENT, PENDING AUSTRIAN PROPOSAL TO DISCUSS ENERGY PROBLEM AND MIDDLE EAST

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IN CSCE FORUM AND QUESTIONABLE KREISKY INITIATIVE FOR INCLUSION OF "ARAB SOCIALISTS" IN SOCIALIST INTERNATIONAL). CONCERN FOR MAINTAINING HIGH-LEVEL OF ECONOMIC ACTIVITY ALSO LIKELY TO MOVE GOVERNMENT TO ATTEMPT TO EXPAND TRADE AND ECONOMIC COOPERATION WITH COMMUNIST COUNTRIES AND THIRD WORLD IN NEXT PERIOD. HUMES

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